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C O N F I D E N T I A L SECTION 01 OF 02 BOGOTA 002304

SIPDIS

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TAGS: [ENRG](#) [EPET](#) [MCAP](#) [MOPS](#) [CO](#)

SUBJECT: OCCIDENTAL PETROLEUM: REDUCTION IN OIL EXPORTS DUE TO ATTACKS ON THE CANO LIMON PIPELINE

Classified By: Ambassador William B. Wood, Reasons 1.4 b and d

1. (C) Summary: The Cano Limon pipeline has been hit eight times this year, generating losses of over USD 25 million (more than the losses in 2004). The area attacked has also changed, with half the attacks in the Catatumbo region of Norte de Santander Department, where repairs are more difficult and time consuming. Oxy reps credit the increased attacks on increasing narco-terrorist activity in the Catatumbo region as narco-terrorist groups are driven out of Arauca, where the Infrastructure Security Program (ISP) has been successful. Oxy also credits the release of those jailed in large-scale detentions in Arauca for some of the increase in attacks there. Oxy also believes that the deployment of helicopter assets in the ISP would give increased coverage to the pipeline and discourage potential attacks. Despite the recent events, Oxy is continuing its increased investment in Cano Limon and signing new exploration contracts elsewhere in Colombia. End Summary.

2. (C) The Ambassador hosted Occidental Petroleum Colombia's President Guimer Dominguez and Oxy's Government Affairs chief, Jorge Camacho, to discuss the current situation on the Cano Limon pipeline. The DCM and ECONCOUNS also attended. Dominguez raised Oxy's concern that there had been an increase in attacks on the pipeline and electrical infrastructure that had caused Oxy to shut down production this year, generating a USD 25 million loss. The pipeline was hit eight times in the first two months of 2005, compared with 17 attacks in all of 2004. The electrical system was hit four times in two months, compared to ten times in 2004 (and all four attempts have been near the Cano Limon field). Unlike previous years, where pipeline attacks in Arauca were the vast majority, the attacks were now evenly split between two neighboring departments, Arauca and Norte de Santander.

3. (C) Dominguez expressed particular concern about the new attacks in the Catatumbo region of Norte de Santander department, as the terrain was mountainous and access far more difficult. The 5th brigade (that covers the area) has not received training under the Infrastructure Security Program. In addition, judicial programs in place in Arauca that had helped drive down the level of attacks from 170 in 2001 to 17 in 2004 were also not in place. The difficult terrain and security situation mean that it takes longer to secure the area and make repairs, translating into more lost oil production. Dominguez also highlighted the fact that there was increased narco-terrorist activity in the area, and cited local reports of dramatic increases in coca production (Embassy estimates do not bear those out, but post will do reconnaissance flights over the area).

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Oxy Seeks Judicial Solutions  
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4. (C) Dominguez said the GOC inter-agency effort in Arauca produced 600 arrests in the past two years and several dozen successful prosecutions and the release of some 300 detainees. According to Oxy's sources, many of those freed returned to attack the pipeline, especially in Arauca. The attacks had also spread to the electrical grid supplying Oxy's Cano Limon field, as the towers were less protected than the pipeline. Oxy explained that the tower attacks hurt production as Oxy depended on the local power grid for a third of the power needed to run the pumps in the wells.

5. (C) Dominguez thought that it was possible to counter the increase in attacks in Norte de Santander by applying the successful lessons learned in Arauca under the ISP. Dominguez explained that the pipeline attacks were usually done by small groups, so the use of small military patrols all along the pipeline and not just in Arauca would have an important deterrent affect. Dominguez also felt that the inter-agency effort in Arauca, especially the use of intelligence packages by judicial authorities, would also dramatically increase the effectiveness of the program in Norte de Santander. Dominguez also suggested that any cases developed should be heard by judges from other regions of the country to lessen the judges' potential security concerns. Finally, Dominguez stated that the prompt delivery of the ten helicopters under the ISP was very important. The rapid reaction and increased patrolling capability these airframes provide would give the military much needed abilities to

patrol the entire pipeline. Dominguez told the Ambassador that he had discussed these concerns with the GOC's Defense and Mines and Energy Ministers and both were receptive and helpful.

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Signs of Confidence  
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16. (C) Oxy is concerned about the increased attacks, but the company feels that with rapid action the problem can be contained. As a result, Oxy is moving forward with plans to invest an additional USD 100 million in new technology to help recover remaining reserves in Cano Limon and has also signed new exploratory contracts that could potentially involve an additional USD 500 million in investments in Colombia.

WOOD